

# HOUSE BILL REPORT

## HB 1250

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to allowing capital appropriations for the housing trust fund to be used for project application, review, selection, contracting, and project development.

**Brief Description:** Concerning the housing trust fund.

**Sponsors:** Representatives Orwall, Miloscia, Springer, Dunshee, Ormsby and Dickerson; by request of Department of Community, Trade and Economic Development.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 1/27/09, 2/9/09 [DPS].

#### **Brief Summary of Substitute Bill**

- Eliminates the prohibition of the use of capital bond proceeds for administration costs directly related to project application, selection, contracting, and development.
- Eliminates the restriction that not more than 5 percent of the funds available for the Housing Trust Fund program may be used for administration.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Blake, Chase, Jacks, Maxwell, Orwall, Smith and White.

**Minority Report:** Do not pass. Signed by 4 members: Representatives Pearson, Assistant Ranking Minority Member; Anderson, Hope and McCune.

**Staff:** Nona Snell (786-7153)

#### **Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The Department of Community, Trade and Economic Development (DCTED) administers the Housing Assistance Program and the Affordable Housing Program. Both of these programs, commonly referred to as the Housing Trust Fund (HTF), provide loan and grant monies to eligible organizations to provide housing for low-income and special needs populations. The HTF is available to fund acquisition, new construction, and rehabilitation of low-income housing units.

Current law prohibits the HTF administration costs from exceeding 5 percent of the annual funds available for the HTF. This administrative cap is calculated as a percentage of the total annual funds available for the HTF; however, the funds for administrative costs are appropriated from the Washington Housing Trust Fund Account (Account). The sources of this Account are HTF loan repayments, real estate excise taxes, and unclaimed interest earned on escrow accounts. Capital bond proceeds may not be used for administrative costs.

The administrative cap was increased from 4 percent to 5 percent in 2005.

The 2007-09 capital budget appropriations for the HTF is \$200 million, of which \$186.7 million is from bonds, and \$13.3 million is from the Washington Housing Trust Fund Account. The DCTED cost of administering the program for the 2007-09 biennium is \$8.7 million.

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**Summary of Substitute Bill:**

The substitute bill eliminates the prohibition of the use of capital bond proceeds for administration costs directly related to project application, selection, contracting, and development. The restriction that not more than 5 percent of the funds available for the HTF project may be used for administration is also eliminated.

**Substitute Bill Compared to Original Bill:**

The substitute bill requires that an amount for administration of project application, review, selection, contracting, and project development is specified in the Capital Budget.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Creating and managing affordable housing is complex. Washington is a leader in providing affordable housing and continued management of the housing portfolio is

important to protect that state's investment. The bill will allow management of the Housing Trust Fund portfolio to be funded similar to other state grant programs.

Management of the portfolio is divided into two activities: (1) selecting and funding projects, and (2) managing the portfolio in the long term. This bill would allow for more emphasis on management of the portfolio. The appropriations for the program have grown, and even if the appropriations decrease, the number of projects funded with past appropriations remain in the portfolio for 40 years.

The foreclosure rate is low; only five projects have been foreclosed on since the beginning of the program.

(Opposed) None.

**Persons Testifying:** Representative Orwall, prime sponsor; Marie Sullivan and Lisa Vatske, Department of Community, Trade and Economic Development; Kim Herman, Housing Finance Commission; and Nick Federici, Washington Low-Income Housing Alliance.

**Persons Signed In To Testify But Not Testifying:** None.